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NATIONAL INTELLIGENCE DAILY CABLE

Thursday August 5, 1976

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State Department review completed

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Thursday August 5, 1976.

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The NID Cable is for the purpose of informing senior US officials.

CONTENTS

SOUTH AFRICA: Demonstration Page 1

LEBANON: Situation Report Page 2

PORTUGAL: Government Program Page 4

GUINEA-USSR: US Security Guarantees Page 6

ISRAEL: Demonstration Page 7

USSR: Economy Page 9

BURMA: Arrests Page 10

EC: The Snake Page 11

SPAIN: Communist Party Page 13

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SOUTH AFRICA: Demonstration

- 25X1 [] A demonstration by South African students in Soweto yesterday triggered the first major urban violence since the June riot that spread from Soweto to 17 other black townships around Johannesburg and Pretoria.
- 25X1 [] Early yesterday some 5,000 students gathered in a soccer stadium, ostensibly to organize a march to Johannesburg to protest the continuing detention of students arrested in the June riots. The demonstrators, joined by thousands of other youths, stoned commuter trains and buses, keeping many Soweto residents from going to work.
- 25X1 [] When rioters broke out of Soweto and attacked a nearby railway station, police opened fire, reportedly killing at least three youths.
- 25X1 [] Less extensive student rioting and intimidation of commuters also occurred in Alexandra, a black township on the opposite side of Johannesburg. Early estimates of absenteeism among black industrial workers in the Johannesburg area ran as high as 60 percent.
- 25X1 [] Police said the rioting was under control by noon, although groups of students were still marching in Soweto.
- 25X1 [] Colored students at a university in Cape Town staged a sympathy demonstration yesterday, but police dispersed the students without serious incident.
- 25X1 [] Since schools in the black townships reopened two weeks ago, minor student disorders, along with some arson in widely separated localities, have shown a degree of coordination that was not apparent in June. Government authorities have blamed the Black People's Convention and associated student groups, and many members of these groups have been arrested.
- 25X1 [] Particularly in Soweto, militants have sought to impose a school boycott by intimidating the students, and school attendance has been low. Last Sunday the government suspended a ban on outdoor gatherings so members of Soweto's urban Bantu council could meet with local residents, inform them of their recent consultations with white government leaders, and ask parents to cooperate in restraining student unrest.

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25X1 [] Government authorities gambled that the meeting on Sunday would reduce tensions that have remained high since June under stringent security measures. Although attendance was lower than expected, the meeting went smoothly, and the spokesmen for the council--merely an advisory body--apparently gained some credibility by recounting their demands that the government begin sweeping modifications of the apartheid system. []

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LEBANON: Situation Report

25X1 [] The commander of the Arab League security force in Lebanon, General Muhammad Ghunaym has announced the cease-fire that was planned for yesterday will take effect today.

25X1 [] The announcement came after a meeting with representatives of all the Christian militias and the commander of the Christian faction of the Lebanese army. The terms of the cease-fire reflect the provisions in the Damascus agreement announced last week, which calls for the deployment of League troops to enforce the peace.

25X1 [] The agreement was reached apparently on the condition--presumably demanded by the Christians--that League forces create a buffer zone in Beirut only after the cease-fire has taken effect. Christian leaders, who reportedly had been resisting deployment of League forces on the Christian side of the major confrontation line dividing east and west Beirut, may have agreed to this formulation knowing that the chances for a truce taking hold are remote.

25X1 [] Arab League mediator Hasan Sabri al-Khuli, who has been conducting the truce negotiations, went to Damascus yesterday, presumably to coordinate the League's efforts with those of Palestinian negotiator Faruq Qaddumi and Syrian Foreign Minister Khaddam.

- 25X1 [] It was later announced by the leftist-controlled Beirut radio station that Khaddam would arrive in Beirut today to oversee implementation of the truce. We have no confirmation of this from Damascus; if Khaddam does make the trip, however, it would demonstrate new confidence on the part of Syria that a truce can be worked out.
- 25X1 [] Khaddam--who once regularly shuttled between Damascus and Beirut on negotiating missions--has not been in Lebanon for months. His appearance in Beirut might also reflect a Syrian decision to put direct pressure on principal Christian leaders to adhere to the truce.
- 25X1 [] The successful evacuation yesterday of a second increment of wounded from the Tall Zatar refugee camp helped smooth the way for the truce agreement. Both Arab League and Palestinian spokesmen had recently warned that Christian cooperation with the evacuation was a necessary first step in negotiations.
- 25X1 [] A total of 243 were safely taken out yesterday; well over a thousand more still are trapped in the camp, however. Resumption of shelling before the evacuation convoy could clear the camp area prompted the Red Cross to delay temporarily its next mission.
- 25X1 [] Fighting intensified around the Muslim enclave of Nabaa and in central Beirut yesterday, apparently as a result of the cease-fire announcement. The pro-leftist radio station has charged the Christians with taking advantage of the evacuation to escalate its attack on leftist and Palestinian positions in other areas of the city and of making an "eleventh-hour" land grab.
- 25X1 [] President Franjiyah was unable to hold the cabinet meeting scheduled yesterday; only Camille Shamun and one other minister showed up for the session. Franjiyah--apparently unperturbed by the poor showing--issued another call for a cabinet meeting, but this time stated bluntly that the cabinet would consider ways of preventing Muslim leftists from setting up their own administrations in Muslim-held territory.
- 25X1 [] Franjiyah presumably wants to remind traditional Muslim politicians that their authority will never be restored if left-wing militants are allowed to consolidate their control over these areas. []

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PORTUGAL: Government Program

25X1 [] Portugal's Assembly of the Republic will probably give its approval to Socialist Prime Minister Mario Soares' new government program after a five-day parliamentary debate that begins today.

25X1 [] Opposition criticism of the program, which Soares outlined in a lengthy speech on Monday, has been largely pro forma. The program may be rejected only by the Communists, who resent being excluded from the new government.

25X1 [] In his remarks, Soares placed major emphasis on the economic program, in which he envisions a period of coexistence between private enterprise and the large, nationalized public sector. While espousing socialism as a long-range ideal for the country, Soares promised that socialist measures would never be imposed against the will of the Portuguese people.

25X1 [] As an inducement to private investors, Soares reiterated his pledge to revise the foreign investment code and declared an end to nationalizations, but he also pointed out that those companies already under government control would remain so.

25X1 [] Underlining his apparent belief that improved labor-management relations can help resolve many of Portugal's economic problems, Soares took a hard line on labor discipline. He declared workers would be prosecuted for seizing factories and hinted that the government might curtail the right to strike. Dismissals of idle workers are also expected.

25X1 [] The stiffening of the government's resolve to impose its authority on labor--along with Soares' announcement that he will abolish the present labor law, which allowed the Communists to consolidate their control of the national labor confederation--has been loudly protested by the Communists.

25X1 [] Soares' hopes for restoring economic equilibrium appear to rest largely on holding the line on government spending rather than on new taxes. Portugal will continue to be dependent on foreign assistance. The Prime Minister admitted Portugal had found it difficult to obtain international gold-secured loans, but he appeared to anticipate substantial trade concessions from both the European Free Trade Association and the EC.

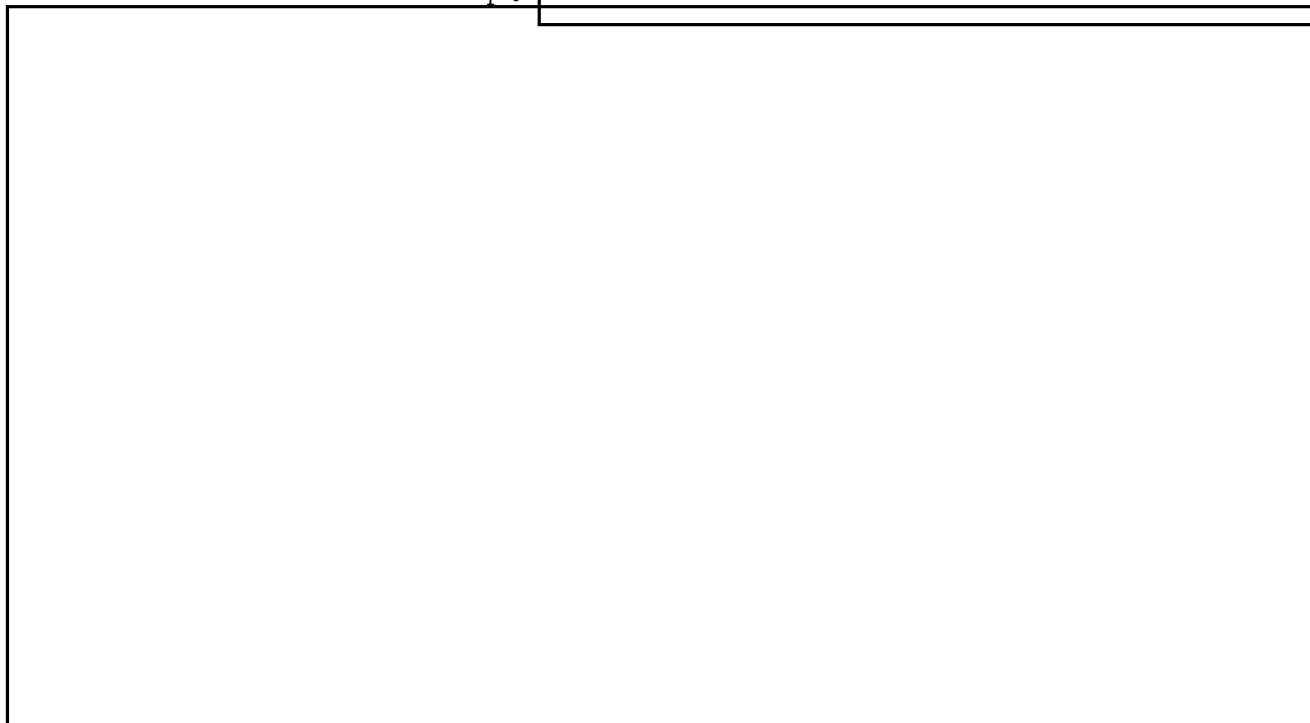
25X1 [] Soares' announcement that he would soon resume negotiations with the US on base rights in the Azores probably also reflects the expectation of significant additional financial resources from the US.

25X1 [] Although Soares has not disclosed all the details of his program, he did enumerate a list of ambitious social programs. These reportedly include construction of 60,000 to 65,000 housing units annually, national social security and health services, school and hospital construction, and assistance to mass transit. If the government intends to carry out these projects and be consistent with its aim of restraining government spending, many existing public programs will have to be cut back sharply.

25X1 [] In the foreign policy portion of his program, Soares signaled a strengthening of Portugal's ties with the US and Western Europe and, by implication at least, a de-emphasis on the third world - oriented policy of former foreign minister Melo Antunes.

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25X1 [] Soares said Portugal plans to join the Council of Europe by the end of the year and to initiate talks leading to Common Market membership. []



GUINEA-USSR: US Security Guarantees

25X1 [] Guinea is seeking US help in trying to protect itself from an alleged threat from individuals in neighboring Senegal and Ivory Coast who oppose President Toure's regime.

25X1 [] A confidant of Toure, in discussing his government's intention--reported in yesterday's *Daily*--to deny the use of Guinea for Soviet TU-95 naval reconnaissance flights, asked that the US use its influence with Senegal and Ivory Coast to ensure Guinea's security.

25X1 [] According to US Ambassador Harrop, the request did not appear to be a condition for ending the Soviet flights. We believe, however, that Toure might use a negative US response as an excuse to justify continuing to permit the flights.

25X1 [] The Guinean official said his government had requested the Soviet flights in 1973 because it feared another invasion by sea similar to one mounted in 1970 by Portuguese-backed forces and Guinean exiles. He maintained that Guinea no longer fears a seaborne attack, but is deeply concerned over what he portrayed as the threat of an attack across its borders by "mercenaries" supported by Senegal and Ivory Coast.

25X1 [] Toure has long been at odds with Senegal and Ivory Coast and recently has been publicly renewing claims that they are plotting the overthrow of his radical leftist regime. Both countries harbor thousands of Guinean exiles who have fled Toure's repressive rule, but neither has allowed anti-Toure activity.

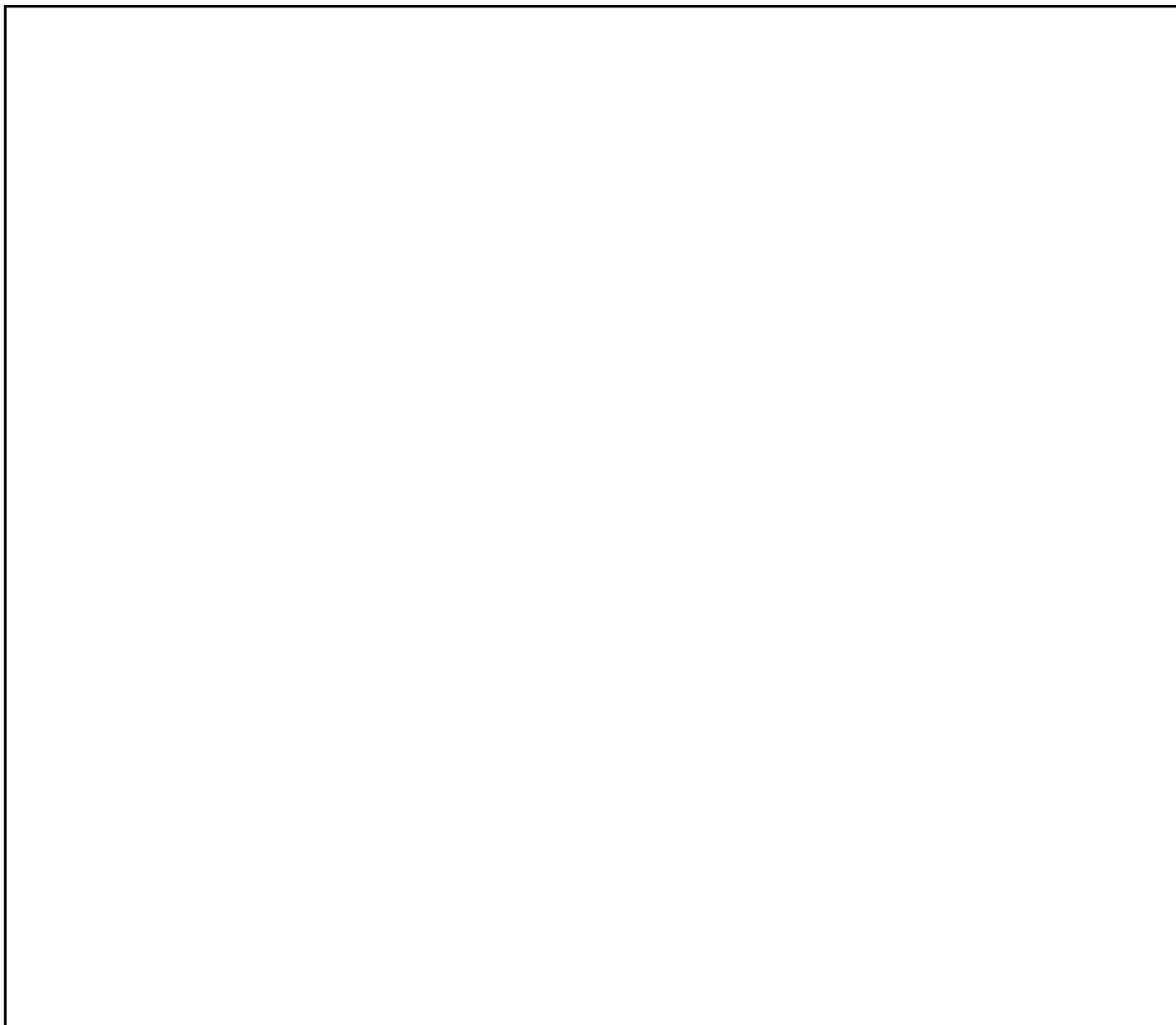
25X1 [] Earlier this year, Guineans reportedly poaching in a Senegalese game park were driven back across the border by Senegalese troops. This incident may have helped fuel Toure's concern.

25X1 [] Yesterday's *Daily* incorrectly attributed Guinea's reported plan to end the Soviet surveillance flights directly to President Toure. It was Interior Minister Diakite, speaking for the President, who relayed the information to Ambassador Harrop.

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ISRAEL: Demonstration

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 About 70 members of Israel's ultra-right-wing Gush Emunim organization staged a demonstration in front of Prime

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Minister Rabin's office yesterday after Israeli soldiers had turned back their attempt on Monday to set up an unauthorized settlement near Jericho on the occupied West Bank.

25X1 [] The agitation is unlikely to have any effect on the government's long-standing policy of barring Jews from settling in heavily Arab-populated areas in the occupied territories. The right-wing group has long demanded that Jews be allowed to settle anywhere on the West Bank.

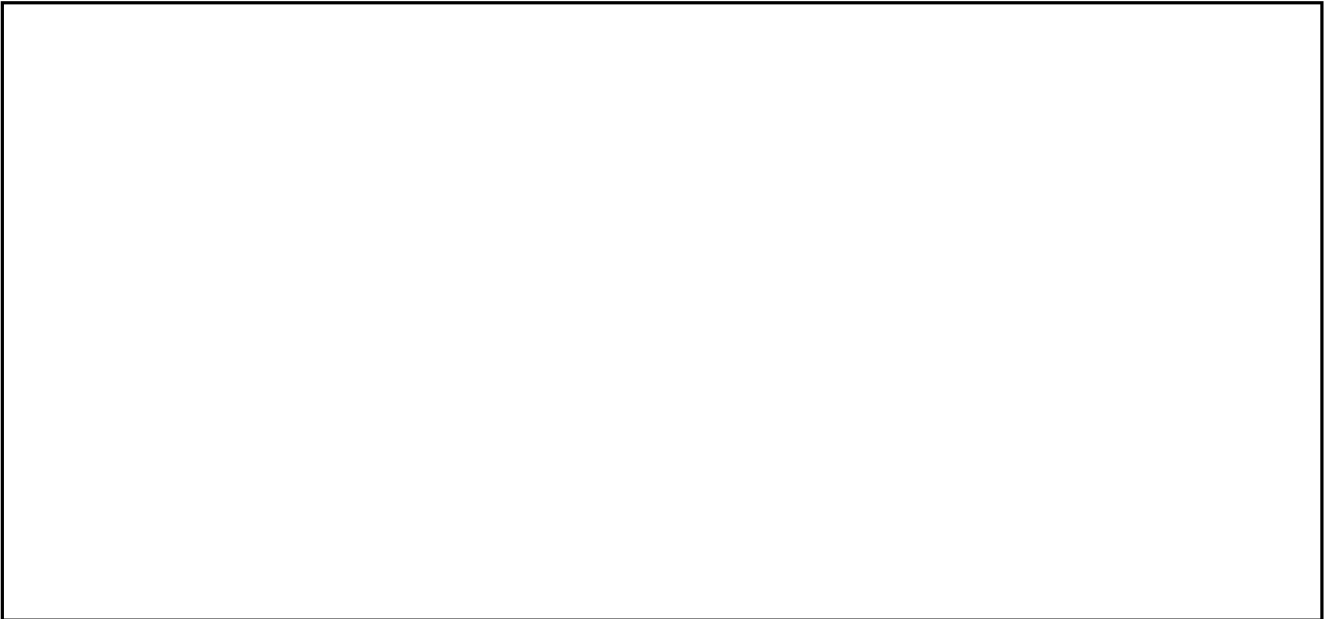
25X1 [] Rabin, in order to avoid the disruption of his cabinet, agreed last December to allow members of the group to remain temporarily at Qadum, an army camp in the Arab heartland of the West Bank. In May, however, the cabinet upheld the government's authority to select settlement sites and decided to present the group with a choice of other places to settle.

25X1 [] Negotiations over possible sites have bogged down. The settlers continue to insist that the government permit Jews to settle anywhere on the West Bank. Moderates in the cabinet have begun to urge Rabin to use force if necessary to implement the May decision.

25X1 [] Conservatives in the government, led by Defense Minister Peres, are pushing for a decision in favor of the settlers. The conservatives have recently tried to embarrass Rabin by accusing him of opposing Jewish settlers while acquiescing in illegal Arab squatting on state-owned lands.

25X1 [] Rabin is likely to continue negotiating with leaders of the rightist group to avoid a showdown between moderates and conservatives that might jeopardize the governing coalition. If the group rejects all the government's offers, Rabin could then say--perhaps with the grudging agreement of his conservative coalition partners--that he had been left with no choice but to order removal of the settlers.

25X1 [] State/INR does not believe that Rabin would be able to secure the acquiescence of his conservative partners. INR also judges that Rabin would probably seek to delay further a final resolution rather than face a confrontation with conservatives over the explosive issue of forcibly removing the settlers.



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USSR: Economy

25X1 [redacted] Soviet industry performed poorly in the first half of 1976.

25X1 [redacted] Industrial production rose less than 4 percent over the same period last year, reflecting the effects of the 1975 harvest failure on those sectors using agricultural raw materials. Production of producer durables and some key industrial materials also slackened.

25X1 [redacted] Even if the 1976 harvest turns out well, a rebound in industrially processed food cannot be expected before late 1976.

25X1 [redacted] The 7-percent decline in processed food production was a major disappointment to Soviet leaders. Compared with the first half of 1975, the production of meat dropped by nearly one fifth and of vegetable oil by nearly one quarter. Production of dairy products declined by 4 percent and of canned goods by 8 percent.

25X1 [redacted] The performance of heavy industry was sluggish. Chemical production increased less than 6 percent, compared with the 11-percent rate achieved in the first half of 1975.

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[] The failure to fulfill plans for mineral fertilizer and sulfuric acid has resulted from delays in the expansion of production capacity, shortages of natural gas, and maintenance problems.

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[] The slackening of growth in production of fertilizer and other agricultural chemicals, coupled with smaller production increases of tractors and agricultural machinery, could hamper growth of the farm sector. []

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BURMA: Arrests

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[] Continuing arrests in Burma in connection with the coup plot uncovered last month reflect the Ne Win regime's mounting doubts about the loyalty of the military, its power base.

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[] A small group of junior officers was just beginning to plan a coup when they were discovered and arrested. Now, as many as 300 of their fellow officers have been detained for questioning, even though in most cases there is no evidence they were involved in the plot.

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[] Despite their relatively low rank, the conspirators were in important and sensitive positions. One was a member of the staff of General San Yu, general secretary of Burma's only political party and heir-apparent to President Ne Win. Another was an aide to General Kyaw Htin, defense minister and army chief of staff. Senior officers have been reprimanded for "dereliction of duty" in not detecting the conspiracy earlier.

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[] The plot has marred the image of army loyalty upon which Ne Win's one-man rule has rested. Ne Win and his security advisers clearly feel the surfacing of discontent within the military requires a thoroughgoing investigation. By detaining hundreds of officers, however, the regime risks adding to the disaffection that it is trying to root out. []

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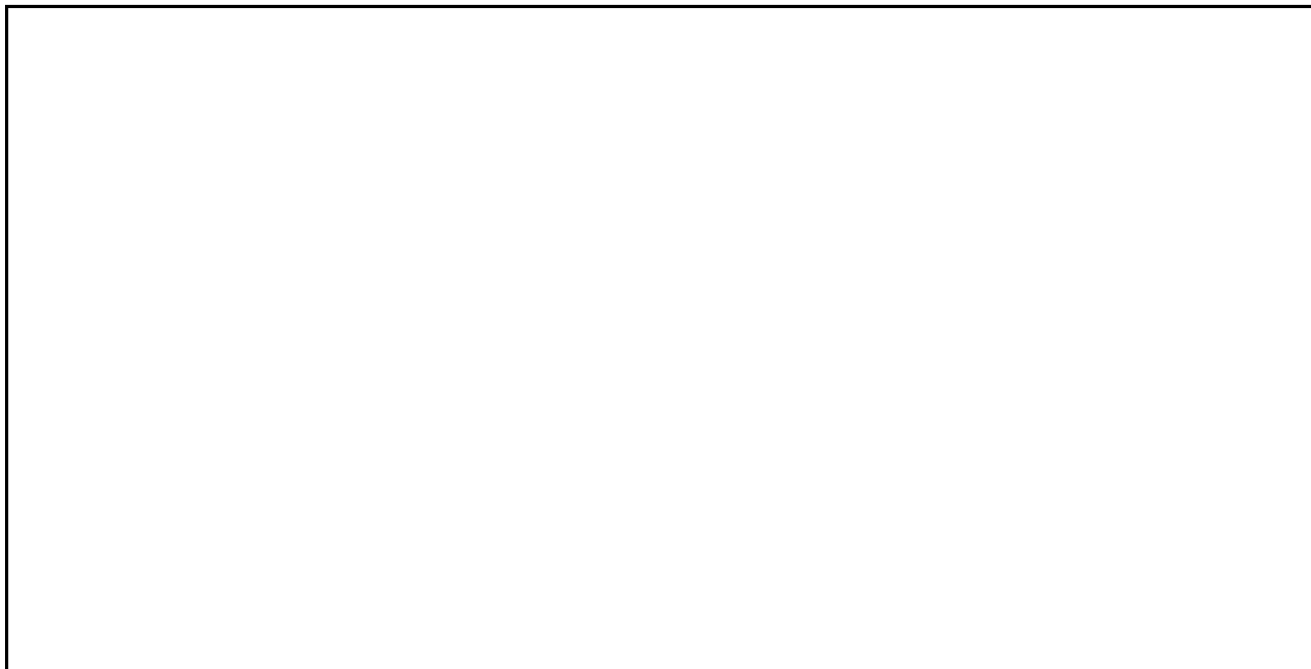
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EC: The Snake

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[REDACTED] //The Netherlands proposed a major overhaul of the European joint float at last week's meeting of European Community finance ministers.//

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[REDACTED] //The Dutch initiative reflects the problems encountered in maintaining parity between the guilder and the stronger West German mark.//

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[REDACTED] //The proposal calls for a wider range of joint-float currency fluctuations, more frequent adjustments in central rates, and constraints on parity changes for nonparticipating EC currencies.//

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[REDACTED] From its beginning in 1972, the EC currency band--the "snake"--has been beset by problems. The UK and Italy dropped out of the arrangement within a year of its inception. West Germany has twice revalued relative to other float currencies. France has left the snake twice, most recently in March of this year.

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[] The snake's chief problem has been its inability to cope with different rates of inflation and shifts in short-term interest rates among member countries. Bonn's success in fighting inflation has made the West German mark the strongest participating currency.

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[] The heavy intervention costs involved in keeping the mark and weaker currencies within 2.25 percent of one another--and members' resistance to additional changes in central rates--precipitated the withdrawal of the pound, lira, and French franc.

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[] The truncated snake has continued to encounter similar problems. The West German inflation rate of 5 percent is about half the rates in other participating countries. To maintain parity with the mark, the smaller member countries have been forced to maintain tighter fiscal and monetary policies than they would prefer.

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[] //With unemployment ranging from 5.5 to 8 percent, the governments of Denmark, Belgium, and the Netherlands have found the go-slow economic policies politically painful. The Dutch proposal is an attempt to dilute float rules sufficiently to give the smaller participants an alternative to the disciplined German economic policy stance.//

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[] As might be expected, West Germany opposes the Dutch proposal on grounds that its adoption would further lessen incentives for harmonizing economic policies among EC members.

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[] The UK and Italy also are skeptical. Both have rates of inflation well above those in other EC countries and think they need the flexibility of floating to pursue domestic policy goals.

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[] Bonn and London succeeded at last week's meeting in postponing serious discussion of the proposal until October. In the meantime, the plan will be studied by the EC monetary committee.

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[] The Hague may be receiving support from Paris and from some of the smaller joint float countries. The Dutch proposal parallels a reform package presented earlier this year by France, before its latest departure from the joint float.

25X1 [] Many of the smaller countries, like the Netherlands, have had trouble maintaining parity with the strong West German mark and probably favor a more flexible system.

25X1 [] //Although Bonn has managed to prevail against a reform for the time being, the Schmidt government probably recognizes that maintaining the snake will likely require changes in either the operating rules or the central rates.//

25X1 [] //On the basis of the past West German record, we expect that Bonn may opt for a moderate mark revaluation, but only after the national election in October. Until then, the Schmidt government will want to avoid charges that it has harmed West Germany's chances for a sustained economic recovery by re-valuing.// []

SPAIN: Communist Party

25X1 [] The Central Committee meeting of the Spanish Communist Party held July 28-30 in Rome was designed to press the Spanish government to legalize the party. Party leaders stressed the party's alleged democratic credentials, its broad popular support, and its ties to other opposition groups.

25X1 [] Party president Dolores Ibarruri and Secretary General Santiago Carrillo attempted in their speeches to answer criticism of the party by the democratic opposition and to needle the government on its political reforms. Carrillo noted that the meeting was held in Rome because the Spanish government had denied it permission to meet in Madrid.

25X1 [] Carrillo announced that the party would henceforth abandon its clandestine role and operate according to democratic rules. The opening public session was followed, however, by two days of closed meetings, which the Spanish press criticized as indicative of the party's "clandestine mentality."

25X1 [] Carrillo attacked the Spanish government's attempts to reform the political system, but acknowledged that the Suarez government's program contains democratic concessions. He commented favorably on the King's amnesty, while criticizing the failure to release terrorists.

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[] The 81-year-old Ibarruri, widely known as "La Pasionaria" for the vehemence of her speeches at the time of the Spanish Civil War, emphasized the party's independence of any "international discipline." Her remarks were an obvious effort to convince the Spanish government that the Communists qualify under the recently approved law legalizing political parties.

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[] Carrillo moved to test the government's amnesty program by announcing that he would return to Spain this month and that Ibarruri would return in September. According to press reports, he met with the Spanish ambassador in Paris on Monday, reportedly to apply for a passport.

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[] On the question of Spain's military ties to the US, Carrillo reportedly declared that he condemned the presence of US bases in Spain just as he was opposed to foreign bases in all countries, including Soviet bases in Eastern Europe. []

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